

NOTE 13 – DEBT**Short-term debt instruments and liquidity**

King County has two short-term limited tax general obligation bond anticipation notes outstanding as of December 31, 2005. The County completed the sale of \$60.0 million bond anticipation notes, 2005A Notes and 2005B Notes on November 1, 2005. The 2005A Notes in the amount of \$30.0 million were issued to provide interim financing for the seismic retrofit of the County Courthouse, the integrated security and jail health project, the Kent Pullen Regional Communications and Emergency Coordination Center and other projects. The 2005B Notes in the amount of \$30.0 million were issued to provide interim financing for the Juanita Woodland Open Space Acquisition Project and the Forestry and Nearshore Initiative Project. Also, a portion of the 2005A Notes and 2005B Notes proceeds were used to pay and retire the County's \$46.37 million of the limited tax general obligation bond anticipation notes, 2004A and 2004B, which matured on November 1, 2005. The County intends to issue new replacement bond anticipation notes when both 2005A and 2005B Notes mature on November 1, 2006.

The County has \$100.0 million of commercial paper outstanding in the Water Quality Enterprise Fund. The commercial paper outstanding as of December 31, 2005, has maturities ranging from 19 to 59 days. At the time of initial issuance, the proceeds of the commercial paper were transferred to the construction fund for use in the capital activities of the enterprise. Repayment of the debt will be made from operating revenues.

The following schedule provides a summary of changes in short-term debt as of December 31, 2005 (in thousands):

	Balance 01/01/05	Additions	Reductions	Balance 12/31/05
Governmental activities:				
Limited tax GO bond anticipation notes	\$ 46,370	\$ 60,000	\$ (46,370)	\$ 60,000
Unamortized premium bonds sold	460	714	(460)	714
Governmental activity short-term debt	<u>\$ 46,830</u>	<u>\$ 60,714</u>	<u>\$ (46,830)</u>	<u>\$ 60,714</u>
Business-type activities:				
Commercial paper	\$ 100,000	-	-	\$ 100,000
Business-type activity short-term debt	<u>\$ 100,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 100,000</u>

Long-term debt

King County's long-term debt is reported under governmental activities and business-type activities. Governmental activities long-term debt consists of general obligation bonds, general obligation capital leases and loans, and special assessment bonds with governmental commitment. Special assessment bonds are guaranteed for payment from resources of the Road Improvement Guaranty Fund if a road improvement district fails to pay.

Business-type activities long-term debt consists of limited tax general obligation bonds accounted for in the King County International Airport, Solid Waste, Public Transportation, and Water Quality Enterprise Funds; revenue capital leases accounted for in the Public Transportation Enterprise; and State of Washington revolving fund loans and revenue bonds accounted for in the Water Quality Enterprise.

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
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	Issue Date	Interest Rates	Original Issue Amount	Outstanding at 12/31/05
I. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT				
IA. Limited Tax General Obligations Bonds				
Payable from Limited Tax GO Bond Redemption Fund				
1993 Various Purpose Series B (Partial)	12/01/93	5.35-6.70%	\$ 109,436	\$ 17,750
1996 Various Purpose Series A (Partial)	02/01/96	5.00-5.25%	105,268	7,075
1996 Refunding Series B	03/01/96	4.10-4.60%	10,348	4,694
1997 Baseball Stadium Parking Facilities (Taxable) Series C	04/01/97	7.06-7.79%	25,000	3,355
1997 Baseball Stadium Series D	04/17/97	4.60-5.75%	150,000	65,405
1997 Kingdome Debt Service Reimburse (Taxable) Series E	12/01/97	6.25-6.88%	6,595	6,130
1997 Kingdome Debt Refunding Series F	12/01/97	5.00-5.20%	51,525	50,925
1997 Various Purpose Series G (Partial)	12/01/97	4.50-5.00%	72,080	33,535
1999 Various Purpose Series A (Partial)	05/01/99	4.00-5.25%	85,695	38,749
2001 Various Purpose (Partial)	11/15/01	3.00-5.00%	26,925	20,490
2002 Refunding 97B Series (Baseball Stadium)	05/20/02	4.00-5.50%	124,575	97,010
2002 Various Purpose (Road CIP)	09/30/02	2.00-5.00%	38,340	31,695
2003 Limited Tax GO (Payoff BAN 2003B) Series A	10/30/03	2.00-5.25%	27,605	25,855
2003 Refunding Various Purpose Series B (Partial)	10/30/03	2.00-5.25%	27,890	24,545
2004 Refunding 1996A Series A	09/21/04	2.00-5.00%	57,045	56,370
2004 Limited Tax GO (Payoff BAN2003A) Series B	10/01/04	2.50-5.00%	82,435	82,435
2004 Baseball Stadium (Refg 1997C Partial) (Taxable) Series C	12/21/04	2.92-4.49%	13,195	11,525
2004 Baseball Stadium (Refg 1997D Partial) Series D	12/21/04	3.00-5.00%	32,075	30,130
2005A Limited Tax GO Refunding 1993B	06/29/05	5.00%	22,510	22,510
Total payable from Limited Tax GO Redemption Fund			<u>1,068,542</u>	<u>630,183</u>
Payable from Internal Service Funds				
1996 Various Purpose A (Partial)	02/01/96	5.00-5.25%	9,970	895
1997 Various Purpose G (Partial)	12/01/97	4.50-5.00%	1,270	305
1999 Limited Tax GO Various Purpose Series A	05/01/99	4.00-5.25%	525	230
2001 Limited Tax GO Various Purpose (Partial)	11/15/01	3.00-5.00%	1,050	675
Total payable from Internal Service Funds			<u>12,815</u>	<u>2,105</u>
IB. Limited Tax GO Notes Payable				
Section 108 Loans Payable - Greenbridge Project	06/27/05	Various	<u>2,134</u>	<u>2,134</u>
IC. Limited Tax GO capital leases				
Payable from Public Health	Various	Various	642	337
Payable from General Fund - 1998 Issaquah District Court	09/29/98	3.80-5.05%	5,900	4,785
Payable from Various Funds - 1997 King Street Center's Tenants	06/01/97	4.50-5.13%	78,275	72,450
Payable from HMC - 2002 Broadway Office Property	11/13/02	4.00-5.38%	62,540	62,540
Total Limited Tax GO Capital Leases			<u>147,357</u>	<u>140,112</u>
Total Limited Tax General Obligation Debt			<u>\$ 1,230,848</u>	<u>\$ 774,534</u>

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
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	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue Amount</u>	<u>Outstanding at 12/31/05</u>
I. GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT				
ID. Unlimited Tax General Obligation Bonds				
Payable from Unlimited Tax GO Redemption Fund				
2000 Refunding Bonds	10/01/00	5.00-5.50%	\$ 102,740	\$ 62,400
2001 Harborview Medical Center	01/22/01	4.00-5.00%	29,130	25,600
2003 Refunding 1993C Bonds	04/23/03	2.00-5.25%	208,795	73,490
2004 ULTGO Bonds Series A (HMC)	05/04/04	2.00-5.00%	110,000	107,175
2004 ULTGO Bonds Series B (HMC)	09/14/04	3.00-5.00%	54,000	53,285
Total payable from Unlimited Tax GO Bond Redemption Fund			<u>504,665</u>	<u>321,950</u>
Payable from Stadium GO Bond Redemption Fund				
2000 Refunding Bonds	10/01/00	5.00-5.50%	<u>18,880</u>	<u>12,060</u>
Total Unlimited Tax General Obligation Bonds			<u>523,545</u>	<u>334,010</u>
IE. Special Assessment General Long-Term Debt				
Special assessment bonds with governmental commitment -				
bonds payable from Road Improvement Districts S.A.				
Bond Redemption Fund - 1986 RID 2 Consolidated	07/01/86	7.88-8.25%	<u>286</u>	<u>15</u>
TOTAL GOVERNMENTAL ACTIVITIES - LONG-TERM DEBT			<u>\$ 1,754,679</u>	<u>\$ 1,108,559</u>
II. BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT				
IIA. Limited Tax General Obligation Bonds (LTGO)				
Payable from Enterprise Funds				
1996 LTGO Refunding Series B (Partial)	03/01/96	4.10-4.75%	12,632	6,811
1996 LTGO Refunding (Revenue Bonds) Series C	12/15/96	5.00-6.25%	130,965	93,595
1998 LTGO (Public Transport, Sales Tax) Refunding Series A	05/15/98	4.50-5.00%	85,715	59,745
1998 LTGO Refunding (WQ-LTGO & REV.) Series B	09/15/98	4.75-5.25%	261,625	254,495
1999 LTGO (Refunding part) Series A	05/01/99	4.00-5.25%	8,720	6,901
2001 LTGO Various Purpose (Partial)	11/15/01	3.00-5.00%	8,580	7,460
2002 LTGO (Public Transportation Sales Tax) Refunding Bonds	10/21/02	3.00-5.50%	64,285	56,625
2003 LTGO Refunding 93A Bonds Series B (Partial)	10/30/03	2.00-5.25%	12,545	6,575
2004 LTGO (Public Transportation Sales Tax) Bonds	06/08/04	2.50-5.50%	49,695	48,910
2005 LTGO (WQ-LTGO) Bonds	04/21/05	5.00%	200,000	200,000
Total Limited tax GO bonds payable from Enterprise Funds			<u>834,762</u>	<u>741,117</u>

NOTE 13 – CONTINUED

**KING COUNTY, WASHINGTON
SCHEDULE OF LONG-TERM DEBT
(IN THOUSANDS)
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	Issue Date	Interest Rates	Original Issue Amount	Outstanding at 12/31/05
IIB. Revenue Bonds, Capital Leases and Loans				
Payable from Enterprise Funds				
Sewer and Drainage Bond Issue 472 Special	05/01/75	-0-	\$ 1	\$ 1
1999 Sewer Revenue Bonds Series 1	06/01/99	5.25-5.50%	80,000	80,000
1999 Sewer Revenue Bonds Series 2	11/01/99	5.00-6.25%	60,000	4,825
2001 Sewer Revenue Bonds Junior Lien Series A	08/06/01	Variable Rate ^(a)	50,000	50,000
2001 Sewer Revenue Bonds Junior Lien Series B	08/06/01	Variable Rate ^(a)	50,000	50,000
2001 Sewer Revenue and Refunding Bonds	11/13/01	3.00-5.25%	270,060	241,600
2002 Sewer Revenue Bonds Series A	08/14/02	5.00-5.50%	100,000	100,000
2002 Sewer Revenue Refunding Bonds Series B	10/03/02	3.00-5.50%	346,130	323,290
2003 Sewer Revenue Refunding Bonds Series A	04/24/03	2.00-5.25%	96,470	94,315
2004 Sewer Revenue Series A	03/18/04	4.50-5.00%	185,000	185,000
2004 Sewer Revenue Refg 1999-2 Bonds Series B	03/18/04	2.00-5.00%	61,760	60,725
2000-2005 State of Washington Revolving Loans	Various	0.50-1.50%	118,226	111,483
2000 Public Transportation Rev Park and Ride cap leases	03/30/00	5.00%	4,722	3,685
Total Revenue Bonds, Capital Leases and Loans payable from Enterprise Funds			<u>1,422,369</u>	<u>1,304,924</u>
TOTAL BUSINESS-TYPE ACTIVITIES - LONG-TERM DEBT			<u>2,257,131</u>	<u>2,046,041</u>
TOTAL LONG-TERM DEBT (EXCLUDING GO LONG-TERM LIABILITIES)			<u>\$ 4,011,810</u>	<u>\$ 3,154,600</u>

(a) The variable rate bonds initially bear interest at Weekly Rates. The Weekly Rate for each Interest Period in the Weekly Mode is determined by the Remarketing Agents. The bonds in the Weekly Mode may be changed to or from the Weekly Mode to or from a Daily Mode, a Commercial Paper Mode, or a Long-term Mode, or to a Fixed Mode, upon satisfaction of the "Change in Modes" conditions.

NOTE 13 – CONTINUED

KING COUNTY, WASHINGTON
DEBT SERVICE REQUIREMENTS TO MATURITY
(IN THOUSANDS)

GOVERNMENTAL ACTIVITIES

Year	General Obligation Bonds		General Obligation Capital Leases and Loans		Special Assessment Bonds (With Governmental Commitment)		Total Governmental Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 80,368	\$ 46,667	\$ 3,659	\$ 7,114	\$ -	\$ 1	\$ 84,027	\$ 53,782
2007	84,788	42,874	5,898	6,944	-	1	90,686	49,819
2008	76,864	38,979	3,879	6,758	15	2	80,758	45,739
2009	79,674	35,214	4,020	6,564	-	-	83,694	41,778
2010	68,981	31,549	4,225	6,362	-	-	73,206	37,911
2011-2015	331,238	106,592	24,615	28,315	-	-	355,853	134,907
2016-2020	148,930	41,955	31,355	21,096	-	-	180,285	63,051
2021-2025	95,455	9,730	38,415	12,110	-	-	133,870	21,840
2026-2030	-	-	22,000	3,949	-	-	22,000	3,949
2031-2035	-	-	4,180	209	-	-	4,180	209
TOTAL	<u>\$ 966,298</u>	<u>\$ 353,560</u>	<u>\$ 142,246</u>	<u>\$ 99,421</u>	<u>\$ 15</u>	<u>\$ 4</u>	<u>\$ 1,108,559</u>	<u>\$ 452,985</u>

BUSINESS-TYPE ACTIVITIES

Year	General Obligation Bonds		Revenue Bonds, Capital Leases and Loans		Total Business-Type Activities		Total Long-Term Debt (Excluding General Obligation Long-Term Liabilities)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 18,607	\$ 37,155	\$ 27,946	\$ 55,124	\$ 46,553	\$ 92,279	\$ 130,580	\$ 146,061
2007	18,992	36,271	30,947	54,308	49,939	90,579	140,625	140,398
2008	16,316	35,445	31,917	52,976	48,233	88,421	128,991	134,160
2009	17,096	34,706	33,303	51,525	50,399	86,231	134,093	128,009
2010	17,939	33,866	34,778	50,004	52,717	83,870	125,923	121,781
2011-2015	86,847	156,286	202,515	225,085	289,362	381,371	645,215	516,278
2016-2020	129,425	129,475	179,167	178,887	308,592	308,362	488,877	371,413
2021-2025	119,820	97,009	187,094	139,815	306,914	236,824	440,784	258,664
2026-2030	151,645	62,946	210,671	92,961	362,316	155,907	384,316	159,856
2031-2035	164,430	17,618	366,586	34,458	531,016	52,076	535,196	52,285
TOTAL	<u>\$ 741,117</u>	<u>\$ 640,777</u>	<u>\$ 1,304,924</u>	<u>\$ 935,143</u>	<u>\$ 2,046,041</u>	<u>\$ 1,575,920</u>	<u>\$ 3,154,600</u>	<u>\$ 2,028,905</u>

NOTE 13 – CONTINUED

The following table summarizes changes in long-term liabilities for the year ended December 31, 2005 (in thousands).

	<u>Balance 01/01/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/05</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 1,043,302	\$ 22,510	\$ (99,514)	\$ 966,298	\$ 80,368
Special assessment bonds with governmental commitment	15	-	-	15	-
Less deferred amounts:					
Unamortized premium bonds sold	33,088	2,112	(5,175)	30,025	4,762
Issuance cost/underwriters' discount	(4,851)	(262)	725	(4,388)	(686)
Refunding losses	(18,778)	(663)	3,643	(15,798)	(3,368)
Total bonds payable	1,052,776	23,697	(100,321)	976,152	81,076
Limited GO capital leases and loans	142,259	2,318	(2,331)	142,246	3,659
Claims and judgments payable	21,420	-	(19,529)	1,891	1,891
Compensated absences liability	71,912	5,814	(3,413)	74,313	3,468
Unemployment compensated liabilities	1,758	1,045	(1,532)	1,271	1,271
Estimated claims settlements and other liabilities	109,172	139,208	(133,924)	114,456	76,491
Rebatable arbitrage	322	-	(222)	100	27
Total Governmental activities long-term liabilities	<u>\$ 1,399,619</u>	<u>\$ 172,082</u>	<u>\$ (261,272)</u>	<u>\$ 1,310,429</u>	<u>\$ 167,883</u>
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 560,938	\$ 200,000	\$ (19,821)	\$ 741,117	\$ 18,607
Revenue bonds	1,210,341	-	(20,585)	1,189,756	23,116
Less deferred amounts:					
Deferred bond discounts/ refunding losses	(63,179)	(1,454)	13,559	(51,074)	(4,634)
Total bonds payable	1,708,100	198,546	(26,847)	1,879,799	37,089
Capital leases	13,101	-	(9,416)	3,685	73
State revolving loans	93,465	20,280	(2,262)	111,483	4,395
Claims and judgments payable	3,545	321	(1,535)	2,331	1,535
Compensated absences liability	46,243	40,706	(38,041)	48,908	3,643
Landfill closure and post-closure care liability	87,896	4,599	-	92,495	4,555
Other liabilities	3,431	3,745	(1,105)	6,071 ^(a)	2,202
Total Business-type activities long-term liabilities	<u>\$ 1,955,781</u>	<u>\$ 268,197</u>	<u>\$ (79,206)</u>	<u>\$ 2,144,772</u>	<u>\$ 53,492</u>

Governmental activities long-term liabilities, other than debt, are primarily estimated claims settlements liquidated by internal service funds. At year-end, internal service funds estimated claims settlements of \$114.4 million are included in the above amount. For the governmental activities, compensated absences are liquidated by the governmental fund in which an employee receiving the payment is budgeted, including most notably the General Fund, the Public Health Fund, and the County Road Fund.

(a) Included in "Other Liabilities" on the Proprietary funds statement of net assets, but not reflected above, is \$14.5 million of current revenue (\$2.0 million current and \$12.5 million long-term) placed in a Rate Stabilization Reserve by Water Quality.

NOTE 13 – CONTINUED**Computation of Legal Debt Margin**

Under Washington state law (RCW 39.36.020), a county may incur general obligation debt for general county purposes in an amount not to exceed 2½ percent of the assessed value of all taxable property within the county. State law requires all property to be assessed at 100 percent of its true and fair value. Unlimited tax general obligation debt requires an approving vote of the people; any election to validate such general obligation debt must have a voter turnout of at least 40 percent of those who voted in the last state general election and, of those voting, 60 percent must be in the affirmative. The County Council may by resolution authorize the issuance of limited tax general obligation debt in an amount up to 1½ percent of assessed value of property within the County for general county purposes and 3/4 percent for metropolitan functions, but the total of limited tax general obligation debt for general county purposes and metropolitan functions should not exceed 1½ percent of assessed value. No combination of limited and unlimited tax debt, for general county purposes, and no combination of limited and unlimited tax debt, for metropolitan functions, may exceed 2½ percent of the valuation. The debt service on unlimited tax debt is secured by excess property tax levies, whereas the debt service on limited tax debt is secured by property taxes collected within the \$1.80 per \$1,000 of assessed value operating levy. The legal debt margin computation for the year ended December 31, 2005 is as follows (in thousands):

2005 ASSESSED VALUE (2006 TAX YEAR)	<u>\$ 270,571,111</u>
Debt limit of limited tax (LT) general obligations for metropolitan functions	
3/4 % of assessed value	\$ 2,029,283
Less: Net LT general obligation indebtedness for metropolitan functions	<u>(771,852)</u>
LT GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 1,257,431</u>
Debt limit of LT general obligations for general county purposes and metropolitan functions – 1½ % of assessed value	\$ 4,058,567
Less: Net LT general obligation indebtedness for general county purposes	<u>(877,532)</u>
Net LT general obligation indebtedness for metropolitan functions	<u>(771,852)</u>
Net total LT general obligation indebtedness for general county purposes and metropolitan functions	<u>(1,649,384)</u>
LT GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES AND METROPOLITAN FUNCTIONS	<u>\$ 2,409,183</u>
Debt limit of total general obligations for metropolitan functions	
2½ % of assessed value	\$ 6,764,278
Less: Net total general obligation indebtedness for metropolitan functions	<u>(771,852)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR METROPOLITAN FUNCTIONS	<u>\$ 5,992,426</u>
Debt limit of total general obligations for general county purposes	
2½ % of assessed value	\$ 6,764,278
Less: Net unlimited tax general obligation indebtedness for general county purposes	<u>(319,292)</u>
Net LT general obligation indebtedness for general county purposes	<u>(877,532)</u>
Net total general obligation indebtedness for general county purposes	<u>(1,196,824)</u>
TOTAL GENERAL OBLIGATION DEBT MARGIN FOR GENERAL COUNTY PURPOSES	<u>\$ 5,567,454</u>

NOTE 13 – CONTINUED**Refunding and Defeasing General Obligation Bond Issues – 2005**

Limited Tax General Obligation Refunding Bonds, 2005A – On June 29, 2005, the County issued \$22.51 million in Limited Tax General Obligation Bonds with an average interest rate of 3.9 percent to advance refund \$24.36 million of outstanding various purpose Limited Tax General Obligation Bonds – 1993B bonds with an average interest rate of 4.6 percent. The net proceeds were used to purchase US government securities that were deposited with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the 1993B series bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the Statement of Net Assets.

The advance refunding transaction resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$663 thousand. This difference, reported in the Statement of Net Assets as a reduction from bonds payable, is being charged to operations through fiscal year 2019, using the outstanding principal balance method. This advance refunding was undertaken to reduce total debt service payments by \$1.84 million over the life of the bonds and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1.26 million.

Refunded Bonds

King County has 13 outstanding refunded and defeased bond issues consisting of limited general obligation bonds (\$284.20 million), unlimited tax general obligation bonds (\$30.74 million), and revenue bonds (\$53.78 million) that were originally reported in the governmental and business-type activities of the Statement of Net Assets. The payments of principal and interest on these bond issues are the responsibility of the escrow agent, the US Bank of Washington, and the liability of the defeased bonds has been removed from the Statement of Net Assets.

Future Borrowing Plans

During the first half of 2006 the County completed the sale of \$124.07 million of Sewer Revenue and Refunding Bonds to provide funding for the Wastewater capital improvement program and to refund \$24.21 million of Sewer Revenue 1999-1 series bonds. The County also completed a partial defeasance of \$7.04 million of Limited Tax General Obligation (Baseball Stadium) Refunding Bonds, 2002.

The County has identified the need to issue approximately \$200 million of limited tax general obligation bonds through 2008. The proceeds of these bonds are expected to provide funds to finance improvements at the Harborview Medical Center, the Transit Division's capital improvement program, road improvements, the Solid Waste Division's capital program, and various other projects. The bonds issued on behalf of the Transit Division's capital improvement program will be additionally secured by the sales tax revenues dedicated to the Transit Division.

The County intends to take advantage of favorable interest rates by refinancing any outstanding higher rate bonds when and if market conditions permit.

For the remainder of this decade the County will need to issue approximately \$1.4 billion of new debt to provide continuing funding for its Wastewater Treatment Division's capital improvement program. While most of this new debt will be in the form of Sewer Revenue bonds, a portion may be comprised of limited tax general obligation bonds that are additionally secured by a pledge of the revenues of the Wastewater Treatment Division.